

CITY OF CRESTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

CITY OF CRESTON

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**CITY OF CRESTON
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Wintermute.....	Mayor.	Nov 2019
Gabe Carroll.....	Mayor. (started 11-4-19)	Jan 2024
Rich Madison.....	Council Member.	Jan 2024
Gabe Carroll.....	Council Member. ... (started as mayor 11-4-19)	Jan 2022
Ron Higgins.....	Council Member.	Jan 2024
Terry Freeman.	Council Member.	Jan 2022
Brian Davis.	Council Member.	Jan 2022
Makenzi Vonk.	Council Member. (resigned 11-5-19)	Jan 2020
Brenda Lyell-Keate.	Council Member.	Jan 2024
Jocelyn Blazek.....	Council Member. (started 12-3-19)	Jan 2022
Matt Levine.	Council Member. (started 12-17-19)	Jan 2022
Michael Taylor.....	City Administrator.	Indefinite
Lisa Williamson.....	City Clerk.	Jan 2021
Marion James.....	City Attorney.....	Jan 2021
Mark Elcock.....	City Attorney.....	Jan 2021

City of Creston



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creston's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 42 through 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2020 on our consideration of the City of Creston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Creston's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
September 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Creston provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by approximately \$1,071,000 from the previous fiscal year. Note proceeds decreased approximately \$619,000 from the previous fiscal year. Capital grants decreased approximately \$1,046,000 compared to the previous fiscal year.
- Disbursements of the City's governmental activities decreased by approximately \$1,652,000. Debt Service expenditures increased by approximately \$111,000, Capital Projects decreased by approximately \$776,000 and General Government decreased by approximately \$649,000 compared to the previous fiscal year.
- During fiscal year 2020, the City's total cash basis net position decreased by 8.6% or approximately \$1,182,000. Of this amount, the cash basis net position of the Governmental Activities decreased approximately \$822,000 and the cash basis net position of the business type activities decreased approximately \$360,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a cash basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into the following activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.
- The Component Unit includes the Creston City Water Works, which accounts for the activities of the Water Works.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the Sewer Fund, considered to be a major fund of the City.

The required financial statement for proprietary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

3) Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources are not available to support the City's own programs. The Fiduciary Fund consists of the Agency, Creston Animal Rescue Effort.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, by approximately \$822,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for services	\$ 1,098	\$ 1,120
Operating grants, contributions and restricted interest	1,889	1,599
Capital grants, contributions and restricted interest	147	1,193
General receipts:		
Property tax	3,238	3,371
Tax incremental financing collections	356	103
Other city tax	1,311	1,086
Commercial/industrial replacement	115	121
Unrestricted interest on investments	182	218
Special assessments	14	11
Bond and loan proceeds	16	635
Other general receipts	495	475
Total receipts	<u>8,861</u>	<u>9,932</u>
Disbursements:		
Public safety	1,759	1,861
Public works	2,112	2,444
Culture and recreation	801	741
Community and economic development	81	45
General government	2,161	2,810
Debt service	1,236	1,125
Capital projects	2,009	2,785
Total disbursements	<u>10,159</u>	<u>11,811</u>
Change in cash basis net position before transfers	(1,298)	(1,879)
Transfers, net	<u>476</u>	<u>188</u>
Change in cash basis net position	(822)	(1,691)
Cash basis net position beginning of year	<u>11,895</u>	<u>13,586</u>
Cash basis net position end of year	<u>\$ 11,073</u>	<u>\$ 11,895</u>

The City's total receipts for governmental activities decreased by 10.77% or approximately \$1,071,000 from fiscal year 2019. This significant decrease was due primarily to the decrease of capital grant proceeds. Disbursements for fiscal year 2020 decreased by 13.98% or approximately \$1,652,000 over fiscal year 2019.

Property tax receipts decreased for fiscal 2020, by 3.9% or approximately \$133,000 due to decreased assessed valuations. The property tax levy rate for fiscal year 2020 remained unchanged from the fiscal year 2019.

Based on decreases in the total assessed valuation, property tax receipts are budgeted to increase by approximately \$56,000 next year or 1.8%.

The cost of all governmental activities this year was approximately \$10.159 million compared to \$11.811 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$7.024 million because some of the cost was paid by those directly benefitted from the programs (approximately \$1.098 million) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2.036 million). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2020 from approximately \$3.913 million to approximately \$3.135 million, principally due to decreased capital grants and contributions.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
<u>Sewer</u>		
Receipts:		
Program receipts:		
Charges for services	\$ 1,256	\$ 1,208
Capital grants, contributions and restricted interest	61	-
Miscellaneous receipts	-	11
General Receipts:		
Note Proceeds	1,336	1,130
Total receipts	<u>2,653</u>	<u>2,349</u>
Disbursements:		
Personal services	383	366
Services and commodities	331	455
Capital outlay	1,823	1,657
Total disbursements	<u>2,537</u>	<u>2,478</u>
Change in cash basis net position before transfers	116	(129)
Transfers, net	<u>(476)</u>	<u>(188)</u>
Change in cash basis net position	(360)	(317)
Cash basis net position beginning of year	<u>1,888</u>	<u>2,205</u>
Cash basis net position end of year	<u>\$ 1,528</u>	<u>\$ 1,888</u>

Total business type activity receipts increased approximately 13% or approximately \$304,000. Business type activity disbursements increased approximately 2.3% or approximately \$59,000. The increase in receipts was primarily due to new note proceeds of approximately \$1,336,000. The increase in disbursements was primarily due to increased capital outlay for the Sanitary Sewer Project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Creston completed the year, its governmental funds reported a combined fund balance of approximately \$11,073,000, a decrease of approximately \$822,000 below last year’s total of approximately \$11,895,000. The following are the major reasons for the changes in cash balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance in the General Fund was approximately \$2,126,000, an increase of approximately \$49,000. The City continues to maintain a strong General Fund balance, which is approximately 49% of General Fund receipts. The Fund increased partially due to decreased general government disbursements.
- The Special Revenue, Road Use Tax Fund ending cash balance was approximately \$1,016,000, an increase of approximately \$99,000. The City continues to invest all of the Road Use Tax received throughout the year in maintaining and improving the streets. The Funds increase was due to receipts exceeding disbursements through normal operations.
- The Special Revenue, Employee Benefits Fund is a Special Revenue Fund that accounts for revenues received and expenditures paid in support of employee benefits. The types of revenues received are property taxes assessed for the employer contributions for health insurance, FICA, IPERS, and unemployment benefits. Expenditures from the fund include premiums and medical claims paid on behalf of covered employees and the employer contributions for FICA, IPERS, and unemployment benefits. The fund showed a net decrease of approximately \$166,000 with an ending cash balance of approximately \$184,000.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was approximately \$687,000, an increase of approximately \$156,000 from the previous year. The increase was the result of increased tax increment financing receipts. These proceeds are generally used to redeem bonds and interest on existing outstanding bonds and to pay developer rebate agreements.
- The Special Revenue, Local Option Sales Tax Fund increased approximately \$363,000 to approximately \$4,984,000. This increase was primarily attributable to the local option sales tax receipts exceeding the transfers to other funds for the use of the local option sales tax.
- The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and long-term debt. The City transferred approximately \$986,000 from other funds to make payments for these obligations. The fund decreased due to transfers to capital projects to fund projects from the 2018 bond issue.
- The Capital Projects had an increase of approximately \$146,000 for an ending cash investment balance of approximately \$828,000. The increase was due to donations to the Library Capital Campaign and reserve for the Airport Reconstruction Project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased by approximately \$360,000 during the fiscal year. The Fund decreased due to disbursements for Capital Projects in excess of note proceeds.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following the required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures, ie; a required public notice followed by a public hearing. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 19, 2020 to provide for decreased disbursements in certain city departments of approximately \$3,347,000, primarily due to decreased culture and recreation payments due to work on parks not occurring. The amendment also included a projected increase in revenues of approximately \$1,049,000.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$9,418,997 in bonds and other long-term debt compared to \$9,058,436 in fiscal year 2019. See below for a side by side comparison of the outstanding debt obligations for fiscal years 2020 and 2019.

	Outstanding Debt at Year-End	
	June 30	
	2020	2019
General Obligation Capital Loan Note, Series 2012A	\$ 255,000	\$ 380,000
General Obligation Urban Renewal, Series 2016B	1,000,000	1,065,000
Refunding Capital Loan Note, Series 2016A	370,000	490,000
General Obligation Capital Loan Note, Series 2018	4,475,000	4,755,000
State Revolving Funds Loans	2,845,943	1,689,186
IEDA Nuisance Property Loan	450,399	634,805
Capital Lease	22,655	44,445
Total	<u>\$9,418,997</u>	<u>\$9,058,436</u>

The City's general obligation bond rating continues to be strong. Moody's Investor Services assigned its "A1" rating to the Series 2019 General Obligation Capital Loan Note. S & P Global Ratings raised the City's credit rating to A+ on July 19, 2017. The outlook is stable. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent (5%) of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$6,573,054 is well below the City's legal debt limit of approximately \$19.3 million.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2020 fiscal year budget, tax rates, and fees that will be charged for various City activities. In addition, capital equipment needs, fuel costs, and the costs of employee benefits are primary concerns in setting a budget.

These factors all contributed when adopting the fiscal year 2021 budget. The total budgeted revenue for fiscal year 2021 is \$17,411,506. This revenue includes Governmental Activities and Business Type Activities, which includes the Sewer and Component Unit City Water Works departments. Budgeted expenditures for fiscal year 2021 is \$17,816,164. \$13,275,060 is budgeted for Governmental activity expenditures and \$4,541,104 is for Business Type expenditures. Steps implemented by the City, including the careful utilization of Local Option Sales Tax receipts, increasing certain fees, transferring costs across funds, and reducing the costs of the delivery of services allowed the City to maintain positive fund balances for the fiscal year 2021 budget. The property tax rate of \$14.23878, for the fiscal year ending June 30, 2021, is up from \$14.12560 for the fiscal year 2020 rate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael A. Taylor, Creston City Administrator, 116 West Adams Street, P.O. Box 449, Creston, Iowa 50801.

Basic Financial Statements

CITY OF CRESTON

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,758,644	\$ 203,840	\$ 81,758	\$ -
Public works	2,112,011	827,930	1,065,282	58,910
Culture and recreation	801,024	52,784	636,123	-
Community and economic development	81,507	-	-	-
General government	2,161,289	13,822	105,902	-
Debt service	1,235,521	-	-	-
Capital projects	2,009,419	-	-	88,570
Total governmental activities	<u>10,159,415</u>	<u>1,098,376</u>	<u>1,889,065</u>	<u>147,480</u>
Business type activity:				
Sewer	2,537,039	1,256,217	-	60,420
Total business type activity	<u>2,537,039</u>	<u>1,256,217</u>	<u>-</u>	<u>60,420</u>
Total Primary Government	<u>\$ 12,696,454</u>	<u>\$ 2,354,593</u>	<u>\$ 1,889,065</u>	<u>\$ 207,900</u>
Component Unit:				
Creston City Water Works	<u>\$ 3,207,200</u>	<u>\$ 3,712,978</u>	<u>\$ -</u>	<u>\$ -</u>
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt Service				
Tax increment financing				
Local option sales tax				
Other taxes				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Creston City Water Works
\$ (1,473,046)	\$ -	\$ (1,473,046)	\$ -
(159,889)	-	(159,889)	-
(112,117)	-	(112,117)	-
(81,507)	-	(81,507)	-
(2,041,565)	-	(2,041,565)	-
(1,235,521)	-	(1,235,521)	-
(1,920,849)	-	(1,920,849)	-
(7,024,494)	-	(7,024,494)	-
-	(1,220,402)	(1,220,402)	-
-	(1,220,402)	(1,220,402)	-
(7,024,494)	(1,220,402)	(8,244,896)	-
			505,778
3,011,942	-	3,011,942	-
240,422	-	240,422	-
355,970	-	355,970	-
1,177,877	-	1,177,877	-
133,022	-	133,22	-
115,387	-	115,387	-
182,030	-	182,030	4,388
16,149	1,335,757	1,351,907	-
494,007	257	496,264	1,032,860
2	-	2	-
475,890	(475,890)	-	-
6,202,698	860,124	7,062,822	1,037,248
(821,796)	(360,278)	(1,182,074)	1,543,026
11,894,665	1,888,350	13,783,015	766,421
\$11,072,869	\$1,528,072	\$12,600,941	\$ 2,309,447
\$ 273,576	\$ -	\$ 273,576	\$ -
1,015,790	-	1,015,790	-
686,863	-	686,863	-
26,935	35,748	62,683	-
6,943,903	718,319	7,662,222	1,640,694
2,125,802	774,005	2,899,807	668,753
\$11,072,869	\$1,528,072	\$12,600,941	\$ 2,309,447

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue			
	General	Road Use Tax	Employee Benefit Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$2,311,096	\$ 65,558	\$ 442,303	\$ -
Tax increment financing	-	-	-	355,970
Other city tax	133,022	-	-	-
Licenses and permits	50,677	-	-	-
Uses of money and property	207,200	-	-	-
Intergovernmental	446,272	1,006,970	290,825	-
Charges for service	895,650	11,533	-	-
Special assessments	13,571	-	-	-
Miscellaneous	295,855	6,133	509	-
Total receipts	4,353,343	1,090,194	733,637	355,970
Disbursements:				
Operating:				
Public safety	1,530,963	-	-	-
Public works	1,104,154	1,007,857	-	-
Culture and recreation	639,654	-	-	-
Community and economic development	81,507	-	-	-
General government	1,262,118	-	899,171	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	4,618,396	1,007,857	899,171	-
Excess (deficiency) of receipts over (under) disbursements	(265,053)	82,337	(165,534)	355,970
Other financing sources (uses):				
Sale of capital assets	2	-	-	-
Note proceeds, including premium \$75,191 and net of issuance costs of \$55,950	16,149	-	-	-
Transfers in	381,445	16,715	-	-
Transfers out	(83,400)	-	-	(200,426)
Total other financing sources (uses)	314,196	16,715	-	(200,426)
Change in cash balances	49,143	99,052	(165,534)	155,544
Cash balances beginning of year	2,076,659	916,738	349,845	531,319
Cash balances end of year	\$2,125,802	\$1,015,790	\$ 184,311	\$ 686,863
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Cemetery perpetual decoration	-	-	-	-
Restricted for:				
Urban renewal purposes	-	-	-	686,863
Debt service	-	-	-	-
Streets	-	1,015,790	-	-
Other purposes	-	-	184,311	-
Committed				
Community Center	2,723	-	-	-
Unassigned	2,123,079	-	-	-
Total cash basis fund balances	\$2,125,802	\$1,015,790	\$ 184,311	\$ 686,863

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
\$ -	\$ 240,422	\$ -	\$ 179,414	\$ 3,238,793
-	-	-	-	355,970
1,177,877	-	-	-	1,310,899
-	-	-	-	50,677
-	-	-	9,533	216,733
-	8,443	-	-	1,752,510
-	-	-	-	907,183
-	-	-	-	13,571
-	-	88,569	608,176	999,242
1,177,877	248,865	88,569	797,123	8,845,578
-	-	-	227,681	1,758,644
-	-	-	-	2,112,011
-	-	-	161,370	801,024
-	-	-	-	81,507
-	-	-	-	2,161,289
-	1,235,521	-	-	1,235,521
-	-	2,009,419	-	2,009,419
-	1,235,521	2,009,419	389,051	10,159,415
1,177,877	(986,656)	(1,920,850)	408,072	(1,313,837)
-	-	-	-	2
-	-	-	-	16,149
17,650	986,866	2,084,420	8,400	3,495,496
(832,740)	(1,885,390)	(17,650)	-	(3,019,606)
(815,090)	(898,524)	2,066,770	8,400	492,041
362,787	(1,885,180)	145,920	416,472	(821,796)
4,621,589	1,912,115	681,609	804,791	11,894,665
\$ 4,984,376	\$ 26,935	\$ 827,529	\$ 1,221,263	\$11,072,869
\$ -	\$ -	\$ -	\$ 249,963	\$ 249,963
-	-	-	23,613	23,613
-	-	-	-	686,863
-	26,935	-	-	26,935
-	-	-	-	1,015,790
4,984,376	-	827,529	947,687	6,943,903
-	-	-	-	2,723
-	-	-	-	2,123,079
\$ 4,984,376	\$ 26,935	\$ 827,529	\$ 1,221,263	\$11,072,869

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2020

	<u>Enterprise Sewer</u>
Operating receipts:	
Charges for service	\$ 1,256,217
Total operating receipts	<u>1,256,217</u>
Operating disbursements:	
Business type activities:	713,946
Total operating disbursements	<u>713,946</u>
Excess of operating receipts over operating disbursements	<u>542,271</u>
Non-operating receipts (disbursements):	
Intergovernmental	60,420
Note proceeds	1,335,757
Capital project and equipment	(1,823,093)
Miscellaneous	257
Total non-operating receipts (disbursements)	<u>(426,659)</u>
Excess of receipts over disbursements	115,612
Other financing sources (uses):	
Transfers in	-
Transfers (out)	(475,890)
Total other financing (uses)	<u>(475,890)</u>
Change in cash balances	(360,278)
Cash balances beginning of year	<u>1,888,350</u>
Cash balances end of year	<u>\$ 1,528,072</u>
Cash Basis Fund Balances	
Restricted for capital replacement	\$ 328,114
Restricted for storm water	390,205
Restricted for debt service	35,748
Unrestricted	<u>774,005</u>
Total cash basis fund balances	<u>\$ 1,528,072</u>

See notes to financial statements.

CITY OF CRESTONStatement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2020

	<u>Creston Animal Rescue Effort</u>
Additions:	\$ 24,806
Deductions:	<u>27,083</u>
Change in cash balance	(2,277)
Cash balance beginning of year	<u>21,021</u>
Cash balance end of year	<u><u>\$ 18,744</u></u>

See notes to financial statements.

CITY OF CRESTON

Notes to Financial Statements

June 30, 2020

(1) **Summary of Significant Accounting Policies**

The City of Creston, Iowa is a political subdivision of the State of Iowa located in Union County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Creston has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Creston (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately.

Discretely Presented Component Unit

The Creston City Water Works is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Creston City Water Works is governed by a five-member board appointed by the City Council and the Creston City Water Works' operating budget is subject to the approval of the City Council. The Creston City Water Works issues separate audited cash basis financial statements, which are available at their administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

Jointly Governed Organizations - Continued

Union County Assessors Conference Board, Union County Emergency Management Commission, Union County Solid Waste Management Commission, Union County Development Association Public Funding Council, ATURA (Adams, Taylor, Union, Ringgold, Adair), and Iowa Community Trust Governmental Health and Related Benefits Program.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for tax revenue for the use of payments for employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the revenues from the state and local option sales tax and expenditure of those funds for the specific purpose as set forth in the referendum.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund, is used for the recognition of receipts and disbursements for the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional fund:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary fund consists of:

Creston Animal Rescue Effort - An agency fund utilized to account for the funds of the animal shelter, a separate not-for-profit entity.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts the Council has legally limited for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(2) Cash and Investments

The City's deposits at June 30, 2020, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are normally categorized to give an indication of the level of risk assumed by the City at year end. However, at June 30, 2020, the City had no investments subject to risk categorization.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Long Term Debt

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Government activities:					
General obligation loan notes	\$ 5,625,000	\$ -	\$ 525,000	\$5,100,000	\$530,000
General obligation urban renewal b	1,065,000	-	65,000	1,000,000	65,000
IEDA nuisance property loan	<u>634,805</u>	<u>16,149</u>	<u>200,555</u>	<u>450,399</u>	<u>198,000</u>
Governmental activities total	<u>\$ 7,324,805</u>	<u>\$ 16,149</u>	<u>\$ 790,555</u>	<u>\$6,550,399</u>	<u>\$793,000</u>
Business type activities					
Sewer revenue notes	<u>\$ 1,689,186</u>	<u>\$1,335,757</u>	<u>\$ 179,000</u>	<u>\$2,845,943</u>	<u>\$183,000</u>

General Obligation Notes

A summary of the City's June 30, 2020 general obligation payable is as follows:

Year Ending June 30,	Fire Truck Issued April 24, 2012		
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2021	2.00%	\$ 125,000	\$5,490
2022	2.30%	130,000	2,990
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2033	-	-	-
Total		<u>\$ 255,000</u>	<u>\$8,480</u>

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(3) Long Term Debt - Continued

Year Ending June 30,	Street Improvement Issued August 1, 2016		
	Interest Rate	Principal	Interest
2021	2.20%	\$ 120,000	\$ 7,400
2022	2.00%	125,000	5,000
2023	2.00 %	125,000	2,500
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2033	-	-	-
Total		<u>\$ 370,000</u>	<u>\$14,900</u>

Year Ending June 30,	Street Improvement Issued May 1, 2018		
	Interest Rate	Principal	Interest
2021	3.00%	\$ 285,000	\$ 135,256
2022	3.00%	295,000	126,706
2023	3.00%	305,000	117,856
2024	3.00%	315,000	108,706
2025	3.00%	325,000	99,256
2026-2030	3.00%	1,760,000	345,381
2031-2033	3.00-3.125%	1,190,000	74,677
Total		<u>\$4,475,000</u>	<u>\$1,007,838</u>

Year Ending June 30,	Housing Redevelopment Issued August 1, 2016		
	Interest Rate	Principal	Interest
2021	2.00%	\$ 65,000	\$ 26,425
2022	2.00%	70,000	25,125
2023	2.00 %	70,000	23,725
2024	2.50%	70,000	22,325
2025	2.50%	75,000	20,575
2026-2030	2.50-3.00%	390,000	73,775
2031-2033	3.00-3.20%	260,000	16,630
Total		<u>\$ 1,000,000</u>	<u>\$208,580</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 595,000	\$ 171,571	\$ 766,571
2022	620,000	159,821	779,821
2023	500,000	144,081	644,081
2024	385,000	131,031	516,031
2025	400,000	119,831	519,831
2026-2030	2,150,000	419,156	2,569,156
2031-2033	1,450,000	91,307	1,541,307
Total	<u>\$6,100,000</u>	<u>\$ 1,236,798</u>	<u>\$7,336,798</u>

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(3) Long Term Debt - Continued

On April 24, 2012, the City issued \$1,720,000 of general obligation capital loan notes with interest rates ranging from 0.50% to 2.30% per annum. The notes were issued for the purchase of a fire truck. During the year ended June 30, 2020, the City paid \$125,000 of principal and \$7,678 of interest on the notes.

On August 1, 2016, the City issued \$1,065,000 of Urban Renewal Bonds with interest rates ranging from 2.00% to 3.20% per annum. The bonds were issued for housing redevelopment. During the year ended June 30, 2020, the City paid \$65,000 of principal and \$27,725 of interest on the bonds.

On August 1, 2016, the City issued \$830,000 on general obligation capital loan notes with interest rates ranging from 1.50% to 2.00% per annum. The bonds were issued for street improvements. During the year ended June 30, 2020, the City paid \$120,000 of principal and \$9,800 of interest on the notes.

On May 1, 2018, The City issued \$5,000,000 of general obligation capital loan notes with interest rates ranging from 3.00% to 3.125% per annum. The notes were issued for street improvements. During the year ended June 30, 2020, the City paid \$280,000 of principal and \$143,656 of interest on the notes.

IEDA Nuisance Property Loan

A summary of the City's June 30, 2020 IEDA Nuisance Property Loan is as follows:

Year Ending June 30,	Property Demolition Issued January 17, 2019		
	Interest Rate	Principal	Interest
2021	1.00%	\$ 201,536	\$ 4,504
2022	1.00%	203,551	2,489
2023	1.00 %	45,312	453
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2033	-	-	-
Total		\$ <u>450,399</u>	\$ <u>7,446</u>

On January 17, 2019, the City entered into a note agreement with the Iowa Economic Development Authority for the City to undertake the demolition of the building located at 120 N Maple Street. The total loan award was for \$1,000,000. As of June 30, 2020, the City has drawn down \$650,954. The balance at June 30, 2020 is \$450,399. The loan bears interest at 1% if the City provides a redevelopment/reuse plan. If no plan is provided, the interest rate will increase to 3% for years 3, 4 and 5. Annual payments of \$206,040 including interest are due beginning January 2, 2020. The note matures January 2, 2024.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(3) Long Term Debt - Continued

Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Sewer Issued September 30, 2009		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 48,000	\$ 8,680
2022	1.75%	50,000	7,840
2023	1.75 %	52,000	6,965
2024	1.75%	53,000	6,055
2025	1.75%	55,000	5,128
2026-2030	1.75%	238,000	10,552
2031-2033		-	-
2036-2040		-	-
Total		<u>\$ 496,000</u>	<u>\$45,220</u>

Year Ending June 30,	Sewer Issued January 18, 2019		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 135,000	\$ 53,970
2022	1.75%	138,000	51,608
2023	1.75 %	141,000	49,192
2024	1.75%	143,000	46,725
2025	1.75%	146,000	44,223
2026-2030	1.75%	775,000	181,738
2031-2033		857,000	111,107
2036-2040		<u>749,000</u>	<u>33,093</u>
Total		\$ 3,084,000	<u>\$571,656</u>

Less; note proceeds not
received as of
June 30, 2020

(734,057)

\$2,349,943

Year Ending June 30,	Totals		
	Principal	Interest	Totals
2021	\$ 183,000	\$ 62,650	\$ 245,650
2022	188,000	59,448	247,448
2023	193,000	56,157	249,157
2024	196,000	52,780	248,780
2025	201,000	49,351	250,351
2026-2030	1,013,000	192,290	1,205,290
2031-2033	857,000	111,107	968,107
2036-2040	<u>749,000</u>	<u>33,093</u>	<u>782,093</u>
Total	<u>\$3,580,000</u>	<u>\$ 616,876</u>	<u>\$4,196,876</u>

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(3) Long Term Debt - Continued

The following resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

A. The bond will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earning of the fund.

B. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

On September 30, 2009, the City entered into a note agreement with a financial institution for a State Revolving Funds Loan for additional financing of construction of sanitary sewer line improvements. The total loan award was for \$945,000. The balance at June 30, 2020 is \$496,000. The loan bears interest at 1.75% and interest payments are due June 1 and December 1. Principal payments are due June 1.

On January 18, 2019 the city entered into a note agreement with a financial institution for a State Revolving Funds Loan for the construction of certain waste water treatment facilities. The total loan award was for \$3,216,000. As of June 30, 2020, the city has drawn down \$2,465,863 plus loan fees of \$16,080. The balance at June 30, 2020 is \$2,349,943. The loan bears interest at 1.75% and an additional loan servicing fee of 0.25% per month. Interest payments are due June 1 and December 1. Principal payments are due June 1. The note matures June 1, 2039.

Capital Lease

The City is leasing a plow truck under a capital lease. The balance of the lease is \$22,655 as of June 30, 2020. Annual payments are \$23,555 each year, including interest at 3.97 percent. The lease is collateralized by the plow truck.

As of June 30, 2020, the present value of future minimum capital lease payments are as follows:

June 30, 2021	<u>\$23,555</u>
Total minimum lease payments	23,555
Less amount representing interest	<u>900</u>
Present value of net minimum capital lease payments	<u>\$22,655</u>

(4) Pension and Retirement Benefits

Iowa Public Employees Retirement System

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the City contributed 9.44% for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$128,847.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,003,766 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0173342%, which was an increase of 0.000676% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$190,525, \$203,928 and \$163,510 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25-16.25%, average, including inflation, rates vary by membership group
Long term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Health Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability	\$1,813,007	\$1,003,766	\$325,021

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Creston are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability benefits may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount of each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2020.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the city's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 24.41% for the year ended June 30, 2020.

The City's contributions to MFPRSI for the year ended June 30, 2020 was \$221,359.

If approved by the State Legislature, state appropriation may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 - Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2020.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,771,218 for its proportionate share for the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2019, the City's proportion was .270033% which was a decrease of .0070016% from its proportions measured as of June 30, 2018.

For the year ended June 30, 2020, the City pension expense, deferred outflows of resources and deferred inflows totaled \$377,369, \$353,951 and \$130,726 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

Rate of Inflation	3.00%
Salary increases	3.75 to 15.11%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetical rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	5.5%
Small cap	5.8
International large cap	7.3
Emerging markets	9.0
Emerging markets debt	6.3
Private non-core real estate	8.0
Master limited partnerships	9.0
Private equity	9.0
Core plus fixed income	3.3
Private core real estate	6.0
Tactical asset allocation	6.4

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.4% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension and Retirement Benefits - Continued

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$2,883,854	\$1,771,218	\$849,738

MFPRSI's Fiduciary Net Position - Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. They also accumulate a limited amount of sick leave hours which are available for subsequent use only. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$168,423
Sick leave	614,141
Total	<u>\$782,564</u>

This liability has been computed based on rates of pay in effect as of June 30, 2020.

(6) Deferred Compensation Plan

The City offers certain employees a deferred compensation plan created in accordance with the provisions of Internal Revenue Code Section 457. The plan, available to the City Manager, allows the employee to defer a portion of his current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

Plan contributions for the year by the City ended June 30, 2020 were \$10,700, and for the year ended June 30, 2019 were \$10,399.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(7) Other Post-Employment Benefits (OPEB) - Continued

The City of Creston offers health insurance coverage to full time employees wishing to voluntarily retire prior to the age of 65 and wish to remain on the City employee health insurance plan. Retirees are able to purchase insurance through the City's plan until Medicare eligibility.

The medical/prescription drug coverage is provided through a purchased high deductible health insurance plan and a partially self-funded plan where the City funds the difference between the deductibles and out-of-pocket maximums charged to employees and those covered by the purchased plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

As of June 30, 2020 the Plan held \$171,985 in cash and investments. The estimate of the claims liability was \$12,325 for June 30, 2020 and \$13,988 for June 30, 2019, and includes claims reported but not settled and those incurred but not reported. Claim payments as of June 30, 2020 and 2019 were \$82,169 and \$93,255, respectively. The City records the cost of these claims when paid; therefore, the cost of claims incurred but unpaid have not been recorded in the financial statements.

At June 30, 2020 there are 37 active employees for the City, 13 active employees for Waterworks, and 1 retired employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City pays 89% of the premium for active employees while the employee is responsible for 11%. Retirees pay their own premiums.

	Plus Plan	Basic Plan	Value Plan
Deductible	\$420/840	\$960/1,920	\$2,000/4,000
Single Coverage	\$756	\$712	\$612
Family Coverage	\$1,742	\$1,564	\$1,437

For the year ended June 30, 2020 the City contributed \$798,408 to the plan including \$252,768 reimbursed from the Water Works, \$8,389 from COBRA participants and \$2,299 from a retired employee. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(8) Related Party Transactions

The City has title to all the land and buildings used by the Creston City Water Works. The Mayor appoints and the City Council confirms the appointments to the Creston City Water Works Board of Trustees.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(8) Related Party Transactions - Continued

The Water Works determines fees charged to users and also charges the City for usage. The Creston City Water Works collects sewage and garbage fees for the City of Creston. Funds collected are remitted to the City monthly. The City received \$1,206,803 for sewer rental, \$684,479 for garbage collections, \$8,761 for sewer connection charges and \$17,650 for miscellaneous items from the Water Works for the year ended June 30, 2020. The City paid the Water Works \$33,651 for utilities and \$15,938 for other costs and reimbursements.

The City of Creston and the Creston City Water Works are covered under the same insurance policies. Each year the City pays the total policy premium and the Water Works reimburses the City for its share of the cost. During the year ended June 30, 2020, the Creston City Water Works reimbursed the City \$119,735.

Also of June 30, 2020, the Creston City Water Works owes the following to the City of Creston:

Sewer rental	\$ 94,344
Garbage collections	<u>52,388</u>
	<u>\$ 146,732</u>

The City provides health insurance for employees of both the City and the Creston City Water Works under its health insurance plan. For the year ended June 30, 2020, the City was reimbursed \$252,768 from the Water Works for claims and premiums paid on behalf of the Creston City Water Works' employees.

(9) Risk Management

The City of Creston is exposed to various risks of loss related to torts; theft, damage to and destruction of assets, errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks did not exceed commercial insurance coverage in any of the past three fiscal years.

(10) Commitments

Garbage Collection

The City of Creston renewed its contract for garbage collection for an additional five years beginning July 1, 2016.

Airport Operations

The City entered into an agreement with a contractor to operate and maintain the Creston Municipal Airport for the fiscal year ending June 30, 2020, for \$35,000. The contractor is responsible for all maintenance, upkeep and repairs of the airport and has the option of operating as a fixed based operator. The City is responsible for providing for utilities for the runway lighting, taxiing, lighted windsock, rotating light beacon, and radio homing beacon and for all parts and repairs necessary for these items. The agreement is an annual agreement and has been renewed until June 30, 2021.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special revenue:	
	Urban Renewal Tax Increment	\$ 107,701
	Local Option Sales Tax	41,638
	Enterprise:	
	Sewer	<u>232,106</u>
		<u>381,445</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	92,725
	Local Option Sales Tax	667,072
	Enterprise:	
	Sewer	<u>227,069</u>
		<u>986,866</u>
Special Revenue:		
McKinley Park	General	<u>8,400</u>
Road Use Tax	Enterprise	
	Sewer	<u>16,715</u>
Local Option Sales Tax	Capital Projects	<u>17,650</u>
Capital Projects	General	75,000
	Special Revenue:	
	Local Option Sales Tax	124,030
	Debt Service	<u>1,885,390</u>
		<u>2,084,420</u>
Total		<u>\$ 3,495,496</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(12) Operating Lease

The City has entered into operating leases for a copier, phone system and postage meter. The leases are for 60 months, respectively, beginning on June 8, 2016, June 22, 2016 and August 8, 2018, respectively. Minimum future lease payments are as follows:

Year ending June 30,	
2021	\$5,663
2022	768
2023	768
2024	192

(13) Development Agreements

The City has entered into development agreements for urban renewal projects. Some agreements call for the City to make economic development tax rebate payments each year out of incremental taxes received by the City. \$36,000 in payments were made during the year ended June 30, 2020 funded by note proceeds and tax increment financing. Additional amounts due on future years on development agreements were \$262,000.

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$45,919 of property tax under the urban renewal and economic development projects.

(15) Construction Contracts

The City has entered into various construction contracts totaling approximately \$8,296,000. The unpaid contract balances as of June 30, 2020 totaled approximately \$1,107,000 which will be paid as work on the projects progresses.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2020

(16) Subsequent Events

Management has evaluated subsequent events through September 14, 2020, the date on which the financial statements were available to be issued.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

(18) Contingency

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City operations and finances.

Other Information

CITY OF CRESTON

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual - All Governmental Funds, Proprietary Fund and Component Unit Other Information Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to Be Budgeted
Receipts:				
Property tax	\$ 3,238,793	\$ -	\$ -	\$ -
Tax increment financing	355,970	-	-	-
Other city tax	1,310,899	-	-	-
Licenses and permits	50,677	-	-	-
Uses of money and property	216,733	-	4,388	-
Intergovernmental	1,752,510	60,420	-	-
Charges for service	907,183	1,256,217	5,552,058	1,922,193
Special assessments	13,571	-	-	-
Miscellaneous	999,242	257	1,115,972	-
Total receipts	8,845,578	1,316,894	6,672,418	1,922,193
Disbursements:				
Public safety	1,758,644	-	-	-
Public works	2,112,011	-	-	-
Culture and recreation	801,024	-	-	-
Community and economic development	81,507	-	-	-
General government	2,161,289	-	-	-
Debt service	1,235,521	-	-	-
Capital projects	2,009,419	-	-	-
Business type activities	-	2,537,039	5,129,392	1,904,806
Total disbursements	10,159,415	2,537,039	5,129,392	1,904,806
Excess (deficiency) of receipts over (under) disbursements	(1,313,837)	(1,220,145)	1,543,026	17,387
Other financing sources (uses), net	492,041	859,867	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(821,796)	(360,278)	1,543,026	17,387
Balances beginning of year	11,894,665	1,888,350	766,421	-
Balances end of year	<u>\$11,072,869</u>	<u>\$1,528,072</u>	<u>\$ 2,309,447</u>	<u>\$ 17,387</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Original	Final	
\$ 3,238,793	\$ 3,175,212	\$ 3,175,212	\$ 63,581
355,970	372,725	372,725	(16,755)
1,310,899	1,028,553	1,028,553	282,346
50,677	44,825	44,825	5,852
221,121	194,350	194,350	26,771
1,812,930	1,791,509	2,044,783	(231,853)
5,793,265	6,010,768	6,035,768	(242,503)
13,571	5,000	5,000	8,571
2,115,471	1,065,664	1,480,740	634,731
14,912,697	13,688,606	14,381,956	530,741
1,758,644	1,817,510	1,839,510	80,866
2,112,011	2,298,704	2,485,679	373,668
801,024	6,070,257	924,686	123,662
81,507	81,650	81,650	143
2,161,289	3,027,210	3,259,216	1,097,927
1,235,521	1,251,819	1,251,819	16,298
2,009,419	1,155,000	2,070,000	60,581
5,761,625	5,449,221	5,891,409	129,784
15,921,040	21,151,371	17,803,969	1,882,929
(1,008,343)	(7,462,765)	(3,422,013)	2,413,670
1,351,908	1,000,000	1,355,757	(3,849)
343,565	(6,462,765)	(2,066,256)	2,409,821
14,549,436	18,483,386	18,483,386	(3,933,950)
<u>\$ 14,893,001</u>	<u>\$12,020,621</u>	<u>\$16,417,130</u>	<u>\$ (1,524,129)</u>

CITY OF CRESTON

Notes To Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds including the discretely presented component unit and excluding the Fiduciary Fund. However, the sewer fees collected by the Creston City Water Works and remitted to the City of Creston have been deducted in the column "Less Funds not Required to be Budgeted" since these are intra agency transactions not required to be budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$3,347,402. The budget amendment is reflected in the final budgeted amounts.

CITY OF CRESTON

Schedule of the City's Proportionate Share of the Net Pension Liability For the Last Six Fiscal Years* (In Thousands)

Other Information

Iowa Public Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Creston's proportion of the net pension liability	.0173342%	.0166582%	.0170256%	.0164319%	.0171215%	.0176576%
City of Creston's proportionate share of the net pension liability	\$ 1004	\$ 1,054	\$ 1,134	\$ 1,034	\$ 846	\$ 700
City of Creston's covered-employee payroll	\$ 1,369	\$ 1,295	\$ 1,295	\$ 1,320	\$ 1,222	\$1,209
City of Creston's proportionate share of the net pension liability as a percentage of its covered payroll	73.34%	81.39%	87.57%	78.33%	69.23%	57.90%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	80.86%	85.19%	87.61%

Municipal Fire and Police Retirement System of Iowa

City of Creston's proportion of the net pension liability	.270033%	.271937%	.289316%	.289606%	.291747%	.288239%
City of Creston's proportionate share of the net pension liability	\$ 1,771	\$ 1,619	\$ 1,697	\$ 1,811	\$ 1,371	\$1,045
City of Creston's covered-employee payroll	\$ 817	\$ 790	\$ 790	\$ 819	\$ 765	\$ 736
City of Creston's proportionate share of the net pension liability as a percentage of its covered payroll	216.77%	204.94%	214.81%	221.12%	179.15%	141.95%
MFPRSI's net position as a percentage of the total pension liability	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

* In accordance with GASB Statement No. 68 the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF CRESTON

Schedule of City Contributions

For the Last 10 Fiscal Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 129	130	116	128
Contributions in relation to the statutorily required contribution	<u>129</u>	<u>(130)</u>	<u>(116)</u>	<u>(128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Creston's covered payroll	\$ 1,364	1,369	1,295	1,320
Contributions as a percentage of covered payroll	9.46%	9.50%	8.96%	9.70%

Municipal Fire and Police Retirement System of Iowa

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 221	213	203	212
Contributions in relation to the statutorily required contribution	<u>221</u>	<u>(213)</u>	<u>(203)</u>	<u>(212)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Creston's covered payroll	\$ 907	817	790	819
Contributions as a percentage of covered payroll	24.37%	26.07%	25.68%	25.89%

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
110	109	108	99	91	78
<u>(110)</u>	<u>(109)</u>	<u>(108)</u>	<u>(99)</u>	<u>(91)</u>	<u>(78)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,223	1,217	1,209	1,142	1,128	1,122
8.99%	8.96%	8.93%	8.67%	8.07%	6.95%
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
218	233	222	194	182	129
<u>(218)</u>	<u>(233)</u>	<u>(222)</u>	<u>(194)</u>	<u>(182)</u>	<u>(129)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
785	765	736	741	733	650
27.77%	30.41%	30.12%	26.12%	24.76%	19.90%

CITY OF CRESTON

Notes to Other Information - Pension Liability

Year ended June 30, 2020

Iowa Public Employee's Retirement System

Changes of benefit terms:

There is no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of an demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL(unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

CITY OF CRESTON

Notes to Other Information - Pension Liability - Continued

Year ended June 30, 2020

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There are no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

City of Creston

Supplementary Information

CITY OF CRESTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue				
	Police Forfeiture	Police and Fire Retirement	McKinley Park	Library	Restricted MPAC
Receipts:					
Property tax	\$ -	\$ 179,414	\$ -	\$ -	\$ -
Use of money and property	-	-	-	8,860	673
Miscellaneous	4,104	7,949	114,596	7,342	464,045
Total receipts	4,104	187,363	114,596	16,202	464,718
Disbursements:					
Operating:					
Public safety	3,414	221,359	-	-	-
Culture and recreation	-	-	143,992	17,066	312
Total disbursements	3,414	221,359	143,992	17,066	312
Excess (deficiency) of receipts over (under) disbursements	690	(33,996)	(29,396)	(864)	464,406
Other financing sources:					
Transfers in	-	-	8,400	-	-
Transfers out	-	-	-	-	-
Total other financing sources	-	-	8,400	-	-
Change in cash balances	690	(33,996)	(20,996)	(864)	464,406
Cash balances beginning of year	14,992	65,120	143,941	239,719	65,434
Cash balances end of year	\$ 15,682	\$ 31,124	\$122,945	\$238,855	\$529,840
Cash Basis Fund Balances					
Nonspendable:					
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -
Cemetery perpetual decoration	-	-	-	-	-
Restricted for:					
Other purposes	\$ 15,682	\$ 31,124	\$122,945	\$238,855	\$529,840
Total cash basis fund balances	\$ 15,682	\$ 31,124	\$122,945	\$238,855	\$529,840

See accompanying independent auditor's reports.

Special Revenue	Permanent		
Police Community Outreach	Cemetery Perpetual Care	Cemetery Perpetual Decoration	Total
\$ -	\$ -	\$ -	\$ 179,414
-	-	-	9,533
8,250	1,890	-	608,176
8,250	1,890	-	797,123
2,908	-	-	227,681
-	-	-	161,370
2,908	-	-	389,051
5,342	1,890	-	408,072
-	-	-	8,400
-	-	-	8,400
5,342	1,890	-	416,472
3,899	248,073	23,613	804,791
\$9,241	\$249,963	\$23,613	\$1,221,263
\$ -	\$249,963	\$ -	\$ 249,963
-	-	23,613	23,613
9,241	-	-	947,687
\$9,241	\$249,963	\$23,613	\$1,221,263

CITY OF CRESTON

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and capital loan notes:			
General corporate purpose - Series 2012A	Apr 24, 2012	2.00-2.30%	\$ 1,720,000
General obligation urban renewal - Series 2016B	Aug 1, 2016	2.00-3.20	1,065,000
Refunding capital loan note - Series 2016A	Aug 1, 2016	2.00	830,000
General corporate purpose - Series 2018	May 1, 2018	3.00-3.125	5,000,000
Total			
Other debt:			
State Revolving Funds Loan	Sep 30, 2009	1.75%	\$ 945,000
State Revolving Funds Loan	Jan 18, 2019	1.75	3,216,000
IEDA Nuisance Property Loan	Jan 22, 2019	1.00	1,000,000
Total			
Capital Lease:			
Dump Truck	Apr 19, 2016	3.97%	\$ 117,774

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 380,000	\$ -	\$125,000	\$ 255,000	\$ 7,678	\$ -
1,065,000	-	65,000	1,000,000	27,725	-
490,000	-	120,000	370,000	9,800	-
4,755,000	-	280,000	4,475,000	143,656	-
<u>\$ 6,690,000</u>	<u>\$ -</u>	<u>\$590,000</u>	<u>\$6,100,000</u>	<u>\$188,859</u>	<u>\$ -</u>
\$ 543,000	\$ -	\$ 47,000	\$ 496,000	\$ 12,696	\$ -
1,146,186	1,335,757	132,000	2,349,943	35,173	-
634,805	16,149	200,555	450,399	5,485	-
<u>\$ 2,323,991</u>	<u>\$1,351,906</u>	<u>\$379,555</u>	<u>\$3,296,342</u>	<u>\$ 53,354</u>	<u>\$ -</u>
<u>\$ 44,445</u>	<u>\$ -</u>	<u>\$ 21,790</u>	<u>\$ 22,655</u>	<u>\$ 1,766</u>	<u>\$ -</u>

CITY OF CRESTON**Long Term Debt Maturities**

June 30, 2020

Year Ending June 30,	General Obligation Bonds and Capital Loan Notes			
	General Purpose		Urban Renewal	
	Series 2012A		Series 2016B	
	Issued April 24, 2012		Issued Aug. 1, 2016	
	Interest Rates	Amount	Interest Rates	Amount
2021	2.00%	\$ 125,000	2.00%	\$ 65,000
2022	2.30	130,000	2.00	70,000
2023	-	-	2.00	70,000
2024	-	-	2.50	70,000
2025	-	-	2.50	75,000
2026	-	-	2.50	75,000
2027	-	-	2.50	75,000
2028	-	-	2.75	80,000
2029	-	-	2.75	80,000
2030	-	-	3.00	80,000
2031	-	-	3.00	85,000
2032	-	-	3.20	85,000
2033	-	-	3.20	90,000
Total		<u>\$ 255,000</u>		<u>\$ 1,000,000</u>

See accompanying independent auditor's report.

Refunding Series 2016A		General Purpose Series 2018		Total General Obligation Bonds and Notes
Issued Aug 1, 2016		Issued May 1, 2018		
Interest Rates	Amount	Interest Rates	Amount	
2.00%	\$ 120,000	3.000%	\$ 285,000	\$ 595,000
2.00	125,000	3.000	295,000	620,000
2.00	125,000	3.000	305,000	500,000
	-	3.000	315,000	385,000
	-	3.000	325,000	400,000
	-	3.000	330,000	405,000
	-	3.000	340,000	415,000
	-	3.000	350,000	430,000
	-	3.000	365,000	445,000
	-	3.000	375,000	455,000
	-	3.000	385,000	470,000
	-	3.125	395,000	480,000
	-	3.125	410,000	500,000
	<u>\$370,000</u>		<u>\$ 4,475,000</u>	<u>\$ 6,100,000</u>

CITY OF CRESTON

Long Term Debt Maturities - Continued

June 30, 2020

Year Ending June 30,	Other Notes						
	State Revolving Funds Loan		State Revolving Funds Loan		IEDA Nuisance Property Loan		
	Dated September 30, 2009		Dated January 18, 2019		Dated January 22, 2019		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Total
2021	1.75%	\$ 48,000	1.75%	\$ 135,000	1.00%	\$ 198,000	\$ 381,000
2022	1.75	50,000	1.75	138,000	1.00	199,980	387,980
2023	1.75	52,000	1.75	141,000	1.00	201,980	394,980
2024	1.75	53,000	1.75	143,000	1.00	204,000	400,000
2025	1.75	55,000	1.75	146,000	-	-	201,000
2026	1.75	57,000	1.75	149,000	-	-	206,000
2027	1.75	59,000	1.75	152,000	-	-	211,000
2028	1.75	60,000	1.75	155,000	-	-	215,000
2029	1.75	62,000	1.75	158,000	-	-	220,000
2030	-	-	1.75	161,000	-	-	161,000
2031	-	-	1.75	165,000	-	-	165,000
2032	-	-	1.75	168,000	-	-	168,000
2033	-	-	1.75	171,000	-	-	171,000
2034	-	-	1.75	175,000	-	-	175,000
2035	-	-	1.75	178,000	-	-	178,000
2036	-	-	1.75	182,000	-	-	182,000
2037	-	-	1.75	185,000	-	-	185,000
2038	-	-	1.75	189,000	-	-	189,000
2039	-	-	1.75	193,000	-	-	193,000
Total		<u>\$ 496,000</u>		\$ 3,084,000		\$ 803,960	<u>\$ 4,383,960</u>
Adjustments for Funds Not							
Drawn Down as of June 30, 2020				<u>(734,057)</u>	<u>(353,561)</u>		
				<u>\$ 2,349,943</u>	<u>\$ 450,399</u>		

See accompanying independent auditor's report.

City of Creston

CITY OF CRESTON

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2020	2019	2018	2017	2016
Receipts:					
Property tax	\$ 3,238,793	\$ 3,370,977	\$ 3,046,891	\$2,922,211	\$ 2,683,483
Tax increment financing	355,970	102,596	269,727	272,011	697,428
Other city tax	1,310,899	1,086,691	1,020,937	1,138,399	1,039,566
Licenses and permits	50,677	42,816	43,864	57,075	44,719
Use of money and property	216,733	253,519	121,884	108,308	102,532
Intergovernmental	1,752,510	2,403,768	1,752,558	2,919,972	1,506,249
Charges for service	907,183	941,542	944,531	952,243	865,164
Special assessments	13,571	10,928	18,801	14,225	6,954
Miscellaneous	999,242	1,074,857	425,920	389,067	608,519
Total	<u>\$ 8,845,578</u>	<u>\$9,287,694</u>	<u>\$ 7,645,113</u>	<u>\$8,773,511</u>	<u>\$ 7,554,614</u>
Disbursements:					
Operating:					
Public safety	\$ 1,758,644	\$ 1,861,410	\$ 1,796,978	\$ 1,726,542	\$ 1,606,192
Public works	2,112,011	2,443,645	1,994,443	2,011,081	1,675,071
Culture and recreation	801,024	740,690	711,151	996,392	696,820
Community and economic development	81,507	44,566	43,761	41,713	31,617
General government	2,161,289	2,810,367	2,250,529	2,204,031	1,860,501
Debt service	1,235,521	1,124,817	835,110	1,831,362	908,363
Capital projects	2,009,419	2,785,459	608,050	1,529,960	104,764
Total	<u>\$10,159,415</u>	<u>\$ 11,810,954</u>	<u>\$8,240,022</u>	<u>\$ 10,341,081</u>	<u>\$ 6,883,328</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011
\$ 2,625,395	\$ 2,369,974	\$2,444,298	\$2,357,629	\$2,237,733
684,931	725,435	662,093	845,542	982,107
1,179,121	1,009,722	1,023,738	1,054,234	967,832
50,753	48,767	82,412	33,316	85,868
102,883	89,929	151,238	159,502	137,851
1,491,859	1,591,093	2,659,081	2,985,951	1,823,211
884,456	853,882	820,397	860,138	784,966
5,844	5,680	6,833	6,560	4,673
558,730	455,242	745,651	1,298,090	869,589
<u>\$ 7,583,972</u>	<u>\$ 7,149,724</u>	<u>\$ 8,595,741</u>	<u>\$ 9,600,962</u>	<u>\$ 7,893,830</u>
\$ 1,588,711	\$ 1,624,443	\$ 1,511,893	\$ 1,450,238	\$ 1,414,502
1,833,649	1,992,752	2,468,297	2,251,390	2,995,965
802,234	768,301	1,380,459	1,029,200	697,349
40,517	40,563	39,860	37,103	34,537
2,516,571	1,991,061	2,673,211	3,603,438	1,906,869
1,058,825	1,058,729	2,849,030	2,257,597	1,070,878
19,034	19,191	508,819	-	406,828
<u>\$ 7,859,541</u>	<u>\$ 7,497,040</u>	<u>\$ 11,431,569</u>	<u>\$ 10,628,966</u>	<u>\$ 8,526,928</u>



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
4949 Pleasant Street, Suite 104
West Des Moines, Iowa 50266

(515)-223-4841
FAX: (515)-223-0851

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 14, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Creston's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Creston's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Creston's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the city of Creston's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Creston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City of Creston's operations for the year

ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Creston's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the city of Creston's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Creston during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
September 14, 2020

CITY OF CRESTON

Schedule of Findings

Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-20 Certified Budget - Disbursements during the year ended June 30, 2020 did not exceed amounts budgeted.
- III-B-20 Questionable Disbursements - During the audit, we noted no disbursements for parties, banquets or other entertainment for employees or Council members that we believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.
- III-D-20 Business Transactions - No business transactions between the City and City officials or employees were noted.
- III-E-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-20 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-20 Revenue Notes - No instances of non-compliance with revenue note resolutions were noted.

CITY OF CRESTON

Schedule of Findings - Continued

Year ended June 30, 2020

Part III: Other Findings Related to Required Statutory Reporting - Continued:

- III-H-20 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-20 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- III-J-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.